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GENERAL

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2. Estimate of Soviet reaction to German rearmament--US High Commissioner McCloy expresses the view that mere announcement of German participation in Western European defense preparations is not likely to result in immediate Soviet military attack. McCloy estimates that the USSR will concentrate for the immediate future on cold war and diplomatic action with continued military preparations an integral part of its strategy. In McCloy's view, a decision to resort to military attack would be based on a combination of Soviet estimates that the cold war was failing and Western defenses were approaching the point where they could effectively hold Europe. In its diplomatic campaign, the USSR would attempt to divide and frighten the West by giving the impression that a Soviet attack was imminent; simultaneously, the people of Eastern Europe would be prepared psychologically for such an attack in order to justify continued military preparations. McCloy considers a Korea-type attack launched from East Germany

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unlikely except in the case of Berlin where it is a real possibility. McCloy also anticipates that at a CFM meeting the USSR would emphasize the German rearmament issue and warns that the Western Powers must be prepared for dramatic and ostensibly serious offers (such as free elections, a peace treaty, and the withdrawal of troops) as part of the Soviet effort both to delay German agreement to joining Europe's defenses and to place on the West the responsibility for the ensuing rearmament race..

FAR EAST

3. INDOCHINA: De Lattre confident of holding Viet Minh--
In an interview with US Minister Heath, newly arrived High Commissioner de Lattre reiterated the determination of the French to grant national independence to the Associated States and declared he would take an active part in creating a national Vietnamese army. De Lattre estimated that provided the Chinese did not interfere, French and Vietnamese forces could eliminate the Viet Minh rebels in about two years.

Meanwhile, Emperor Bao Dai expressed the view that de Lattre, with his "energy, military ability and will, could really accomplish great things" for Indochina.

Bao Dai therefore had decided not to ask de Lattre for the return of the High Commissioner's palace, stating that it was more important at this time to maintain "de Lattre in his present good intentions."

French estimate of military situation--According to
US Consul Blancke in Hanoi, French [redacted] considers it doubtful that a large-scale Viet Minh attack will

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come before February. The French note that the current reorganization of Viet Minh forces into divisions will not be complete until February and that the return of tropical weather in February will favor native over European troops. The French also offer the possibility that before launching a major attack, the Viet Minh may await the outcome in Korea to be sure of Chinese participation if needed.

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